



KEY FINDINGS

Driving Diversity: Opportunities for Action in the RIA Marketplace

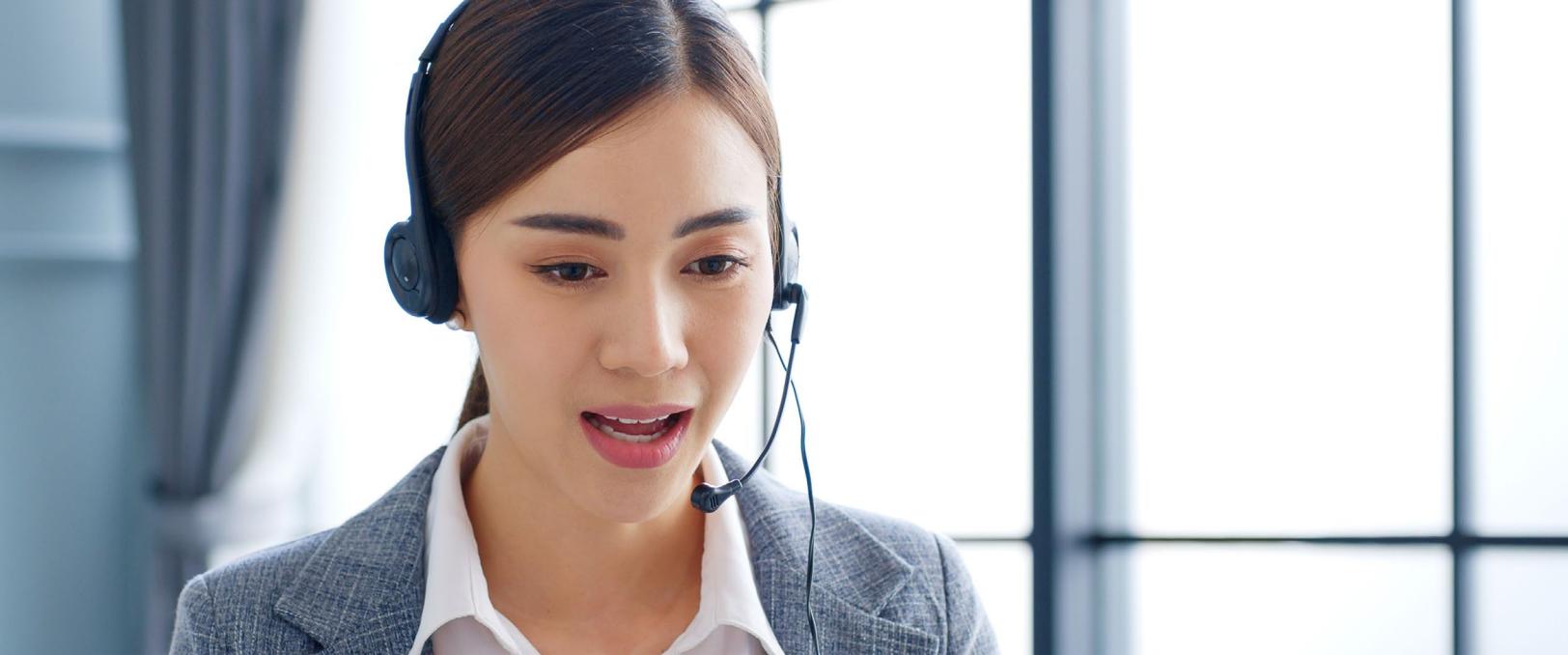
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CERULLI
ASSOCIATES



INVESTMENT ADVISER
ASSOCIATION



About the Research

In 2020, the Investment Adviser Association (IAA) partnered with Cerulli Associates to assess the current state of diversity in independent wealth management firms. As part of this study, Cerulli conducted qualitative interviews and online surveys of financial advisors, registered investment advisor (RIA) firm executives, and other professionals. While diversity covers a wide range of dimensions (e.g., age, gender, race, sexual orientation, ability), this study specifically focuses on the industry's efforts to expand gender and racial/ethnic diversity among financial advisors.

Summary

The industry has made small, yet significant steps toward diversity. However, the pace of change has been slow, and women and Black, Indigenous, and People of Color (BIPOC) remain underrepresented in both management and financial advisor roles in independent firms. There are powerful factors discouraging diverse candidates from entering and building successful careers in the industry. This study identifies some of these key challenges and presents action items—both at the individual and firm level—to address these barriers. It also outlines firm resources, support, and initiatives to increase gender and racial/ethnic diversity, including strategies to recruit and retain a more diverse advisorforce.

Key Findings

- Gender and racial disparities remain pervasive within wealth management firms. Only a fraction of advisors believe that their firms are diverse or that their firms value diversity, equity, and inclusion (DEI).
- Work-life imbalance, limited representation among leadership, and insufficient mentoring are among the greatest challenges facing diverse advisors.
- While a slight majority (52%) of respondents believe that firm leadership is working to increase DEI, only 35% think those efforts are working.
- To accelerate meaningful change, firms should consider a range of actions, such as building a DEI team to develop an action plan, offering unconscious bias training to staff, creating affinity groups for diverse advisors, funding scholarships for underrepresented candidates, and forging partnerships with community organizations.
- There are numerous opportunities for individuals to contribute to their firm's and the industry's DEI efforts, including acting as a mentor or sponsor to diverse advisors and volunteering for community activities that build awareness of the profession.

Measuring Progress

The industry has made small, yet significant steps toward diversity. However, the pace of change has been slow, and women and Black, Indigenous, and People of Color (BIPOC) remain underrepresented in both management and financial advisor roles in independent firms.



Measuring Progress

Diversity in management ranks and ownership is sorely lacking.

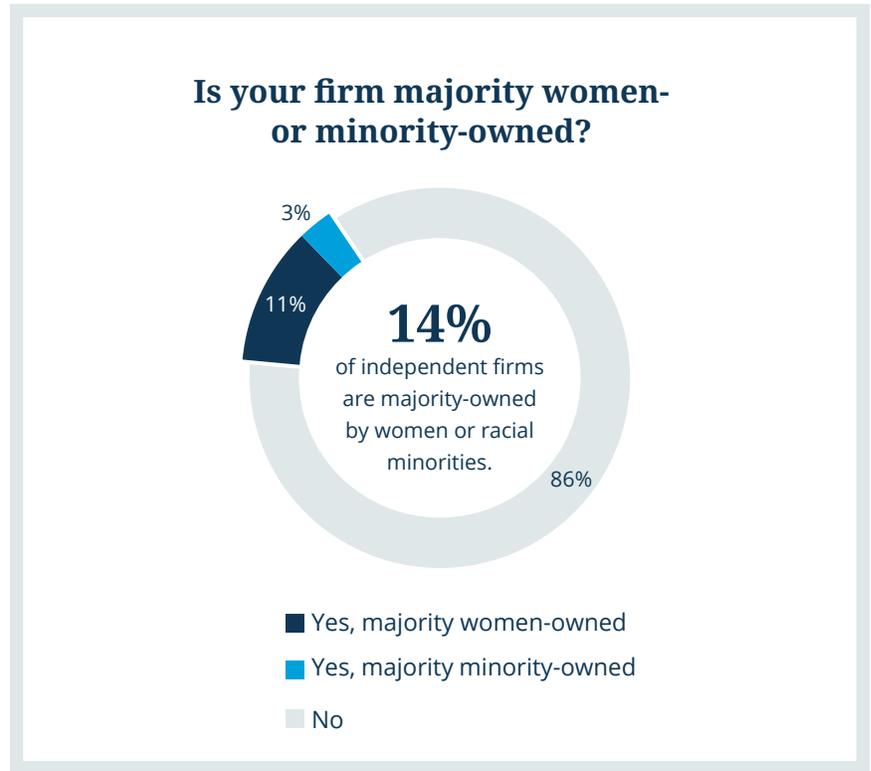
Women and racial minorities are rarely at the helm of independent firms, the majority of which report that they are not owned by diverse leaders.

17%

of respondents strongly agree that their firm's senior management team is diverse.

37%

attest that their firm values diversity, equity, and inclusion.



Views on Firm Diversity, 2020

■ Strongly disagree ■ Disagree ■ Neutral ■ Agree ■ Strongly agree

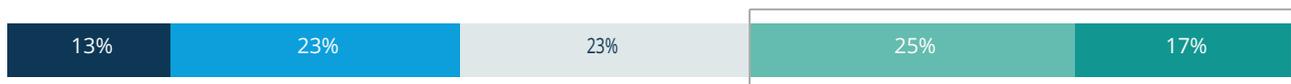
My firm values diversity, equity, and inclusion.



My firm is diverse overall (i.e., advisors, staff, executives).



My firm's senior management team is diverse.



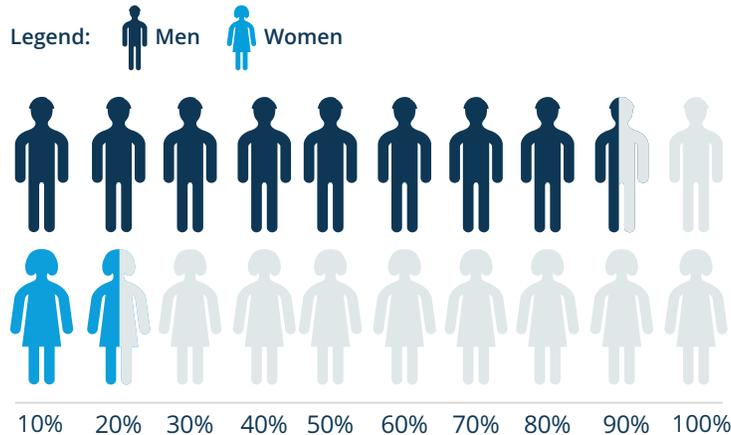
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Sources: Cerulli Associates, in partnership with the Investments & Wealth Institute, the Financial Planning Association® (FPA®), and the Investment Adviser Association | Analyst Note: Respondents were asked to what extent they agree or disagree with the above statement. Data represents only independent and hybrid RIAs.

Gender and racial disparities among advisors remain pervasive.

This absence of diversity reflects systemic issues that impede women and BIPOC in the financial advice profession.

Independent and Hybrid RIAs: Advisor Gender and Race/Ethnicity, 2019



Advisor Gender	Independent and Hybrid RIAs	All Advisors	Total U.S. Population
Men	84.2%	81.9%	49.2%
Women	15.8%	18.1%	50.8%

Advisor Race/Ethnicity	Independent and Hybrid RIAs	All Advisors	Total U.S. Population
White	94.1%	87.8%	75.0%
Hispanic or Latino	3.8%	5.1%	18.4%
Black or African American	2.6%	2.9%	14.2%
Asian	2.1%	4.3%	6.8%

Sources: Cerulli Associates, Meridian IQ, Investment Company Institute, Insured Retirement Institute, VARDS, Strategic Insight/SIMFUND, Investment News, Judy Diamond, Department of Labor, PLANSPONSOR, S&P Capital IQ MMD, Financial Planning, Financial Advisor Magazine, Investment Advisor Magazine, Census Bureau, and Cerulli Associates, in partnership with the Investments & Wealth Institute, WealthManagement.com, and the Financial Planning Association® (FPA®) | Analyst Note: Cerulli adheres to the U.S. Census Bureau's definitions of race. The U.S. Census Bureau separates the concept of race from the concept of Hispanic origin; therefore, individuals who identify as Hispanic or Latino may also be included in other races. In general, in Cerulli's market sizing of financial advisors by race/ethnicity, advisors of two or more racial/ethnic groups are represented in all such groups. Similarly, the total U.S. population data includes individuals of one race and those of one or more races. The "All Advisors" category includes advisors who operate in the wirehouse, national/regional B/D, independent B/D, hybrid RIA, independent RIA, insurance B/D, and retail bank B/D channels.



Although women represent 51% of the U.S. population...

18%

of financial advisors across all channels are women.

16%

of financial advisors are women in the RIA channels.



Although 25% of the U.S. population identifies as BIPOC...

3.8%

of RIAs identify as Hispanic or Latino.

2.6%

of RIAs identify as Black or African American.

2.1%

of RIAs identify as Asian.

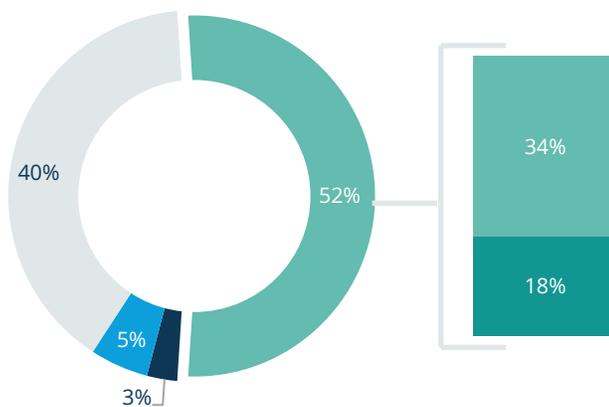
Firms' leadership is increasingly investing in efforts to improve advisor diversity, but results are not immediate.

Change may be expected to occur gradually over the next decade alongside demographics and the social climate. If efforts to attract more diverse candidates to the industry are successful, firms will also likely experience an organic shift in culture that results from greater visibility, mentoring, and networking among diverse advisors.

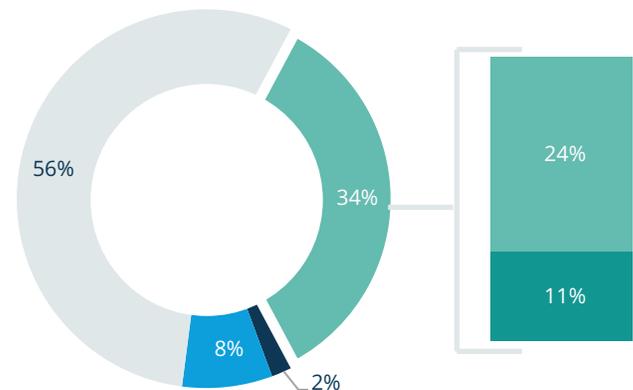
Advisor Views on Firm Diversity Efforts, 2020

■ Strongly disagree ■ Disagree ■ Neutral ■ Agree ■ Strongly agree

My firm's leadership is working to increase diversity among the firm's advisors.



My firm's efforts to increase advisor diversity have been successful.



Sources: Cerulli Associates, in partnership with the Investments & Wealth Institute, the Financial Planning Association® (FPA®), and the Investment Adviser Association | Analyst Note: Respondents were asked to what extent they agree or disagree with the following statements: "My firm's leadership is working to increase diversity among the firm's advisors," and "My firm's efforts to increase advisor diversity have been successful." Data represents only independent and hybrid RIAs.

52%

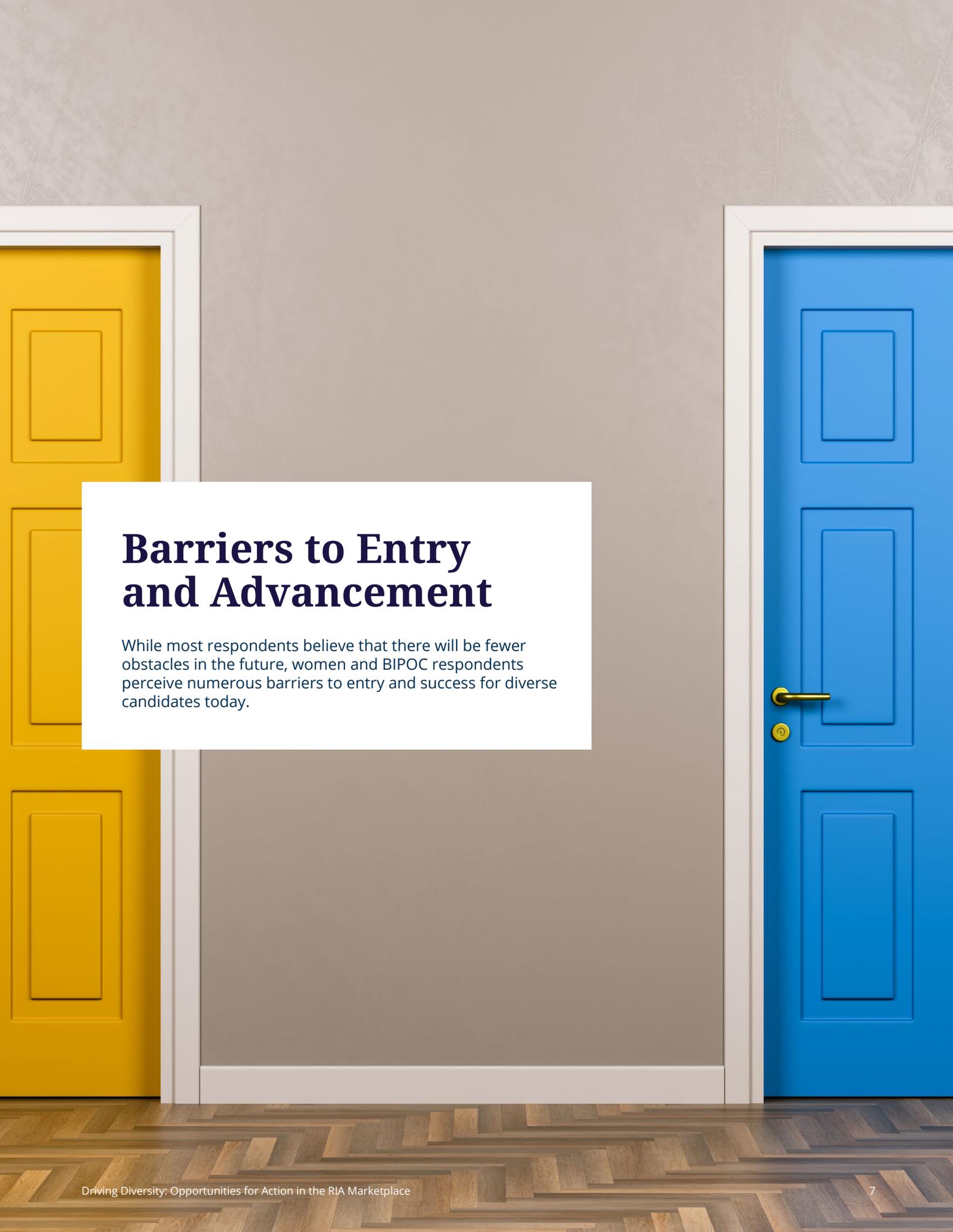
of RIAs agree or strongly agree that their firm's leadership is working to increase diversity among its advisors.

34%

of RIAs believe that these efforts have been successful.

Key Takeaway

While many firms appear to be investing in DEI initiatives, achieving measurable, observable results will require sustained long-term commitment.



Barriers to Entry and Advancement

While most respondents believe that there will be fewer obstacles in the future, women and BIPOC respondents perceive numerous barriers to entry and success for diverse candidates today.

Barriers to Entry and Advancement

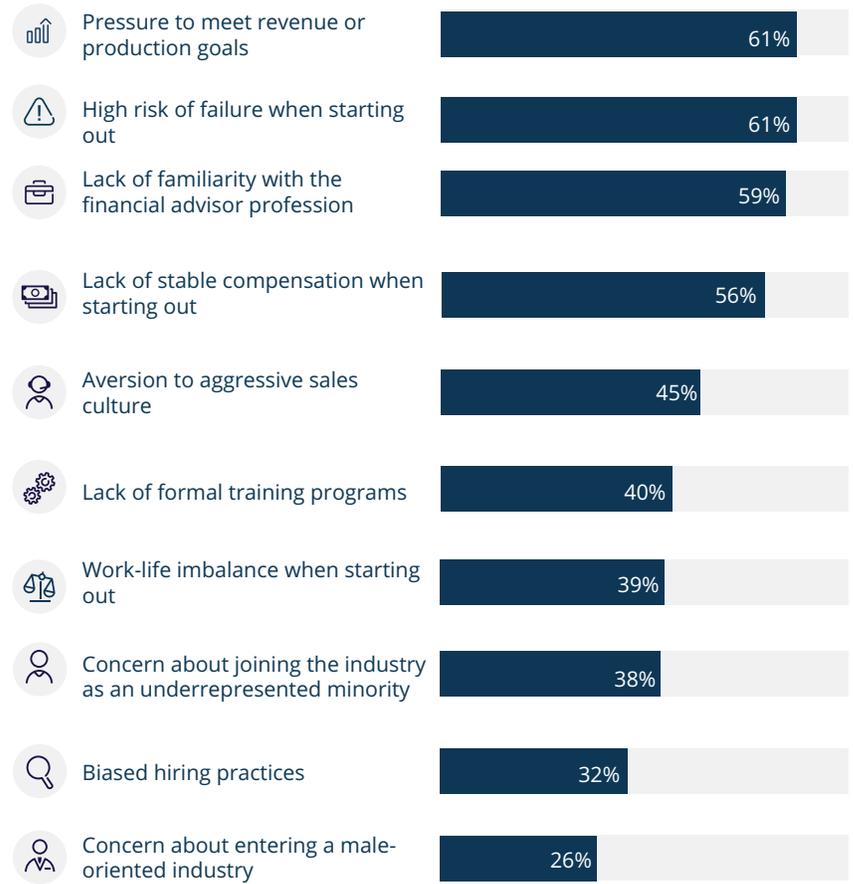
Limited familiarity, instability, and biases deter diverse candidates from becoming advisors.

Women and BIPOC advisors consider the high failure rate, unstable compensation, pressure to meet revenue or production goals, and lack of familiarity with the profession to be the top factors that discourage diverse advisors from entering the industry.



Recruitment is only half the equation; retention is the true test. Once women and BIPOC do choose to become financial advisors, firms struggle to retain them because barriers to success impact the experiences of established diverse advisors.

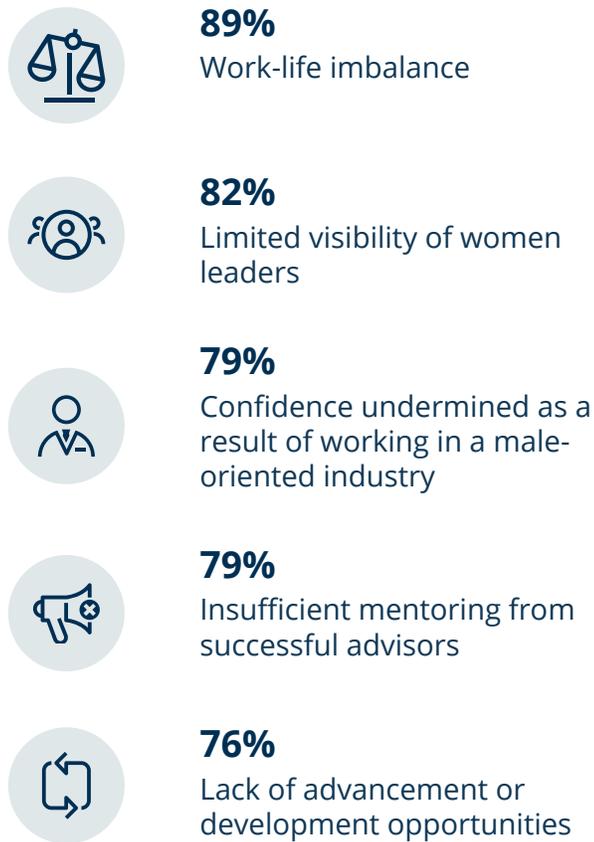
Factors Discouraging Diverse Candidates from Entering the Industry, 2020



Sources: Cerulli Associates, in partnership with the Investments & Wealth Institute, the Financial Planning Association® (FPA®), and the Investment Adviser Association | Analyst Note: Data includes only women advisors and BIPOC advisors (*i.e.*, those who identify as Hispanic or Latino, Asian, Black or African American, American Indian or Alaska Native, and/or Native Hawaiian or Other Pacific Islander) in the independent RIA and hybrid RIA channels. Percentages represent the proportion of respondents who consider it a major factor.

Women and Advisors of Color: Top-Five Challenges, 2020

Women Advisors' Top Challenges



Advisors' of Color Top Challenges



Source: Cerulli Associates | Analyst Note: Respondents were asked if they believe the following factors present obstacles for women or BIPOC advisors to succeed in the industry today. Data includes only advisors in the independent RIA and hybrid RIA channels.



As advisors, women and BIPOC face stronger headwinds.

Work-life imbalance, limited access to prospecting networks, lack of diverse leadership, insufficient mentoring from successful advisors, and implicit bias pose the greatest challenges as they grow their practices.

89%

of women advisors in the RIA channels consider work-life imbalance a moderate or major challenge to their success.

76%

of advisors of color at RIA firms indicate that limited access to prospecting networks is a barrier to their success.



Action Items

The first step for firms is to honestly assess their own gender and racial diversity, evaluate blind spots, solicit input from diverse advisors, and then build an action plan to address those gaps.

Action Items

Actions to improve diversity in the industry include:

Firm Actions:

- Build a DEI team comprising individuals from all levels of the firm and representative of its diversity
- Offer unconscious bias training for staff
- Ensure that all advisors in the firm have equal access to business development, practice management resources, teaming, and development opportunities
- Acknowledge the unique experiences of women, BIPOC, and other underrepresented advisors by soliciting their feedback and listening to their stories
- Fund scholarships for underrepresented advisors to earn advanced designations, receive certifications, and complete undergraduate financial planning programs
- Forge partnerships with industry groups, local organizations, and nonprofits that work with diverse communities
- Create affinity groups and other opportunities for diverse advisors to network, share information, and build connections
- Support talent pipelines into the industry by developing internship programs, recruiting from Historically Black Colleges and Universities (HBCUs), and hiring from career reentry programs
- Set clear, actionable goals, then regularly measure the firm's progress toward those benchmarks

Individual Actions:

- Act as a mentor or sponsor to diverse advisors
- Volunteer for community activities that build awareness of the profession (e.g., nonprofit organizations, industry associations, colleges/universities)
- Attend career and job fairs that target a diverse audience
- Share your experiences with new or prospective advisors to dispel misconceptions
- Seek out educational resources on antiracism, gender inequities, and allyship
- Take unconscious bias training to recognize and address implicit biases
- Challenge bias openly. Speak up and speak out to advocate for change in the financial advice profession

45%

of RIAs are very interested in acting as a mentor or sponsor.

39%

would volunteer for community activities that build awareness of the profession.

Methodology

The Investment Adviser Association partnered with Cerulli Associates to assess the current state of diversity among independent advisory firms. Data in this report was gathered as part of Cerulli's annual process of surveying financial advisors and collected on a continuous basis throughout 2020. Cerulli conducted approximately 2,000 total advisor surveys in 2020. A number of these surveys were conducted in partnerships with industry organizations, including the Investment Adviser Association.

About Cerulli Associates

Cerulli Associates is a global research and consulting firm offering guidance to financial institutions for strategic positioning and new business development. For nearly 30 years, Cerulli has been the most trusted resource for strategic consulting and custom research, providing clear, actionable outcomes.

About the Investment Adviser Association

The Investment Adviser Association (IAA) is the leading trade association representing the interests of fiduciary investment adviser firms. The IAA's member firms collectively manage more than \$25 trillion in assets for a wide variety of institutional and individual investors. In addition to serving as the voice of the advisory profession on Capitol Hill and before the SEC, DOL, CFTC and other U.S. and international regulators, the IAA provides extensive practical and educational resources to its membership.

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